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DEPARTMENT FOR WHA/CEN TOM PIERCE
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SUBJECT: PANAMA BANANA WORKERS END STRIKE AT COSTA RICAN
BORDER

SUMMARY

1. (SBU) In response to mediation and a grant from Minister of Labor Reynaldo Rivera, banana workers ended a peaceful strike March 18 that closed the Panama-Costa Rica border for three days. The laborers from Cooperativa de Servicios Multiples de Puerto Armuelles (Coosemupar) blocked trucks and buses trying to cross the Panamanian-Costa Rican border at Paso Canoas and also erected barriers to stop traffic to the port city of Puerto Armuelles. Racked with a reported debt of \$30 million, Coosemupar is unable to meet its most recent payroll or pay its required year-end worker bonuses. Coosemupar which is owned by the banana workers, purchased banana plantations from Chiquita Brands in 2003 for \$20 million borrowed from the publicly owned Panamanian National Bank but the business is unprofitable. On March 20 the Government of Panama (GOP) approved an unconditional \$850,000 "subsidy" (or grant) to banana growers in the Chiriqui region that borders Costa Rica but the long-term viability of the banana plantations and the wisdom of this subsidy is doubtful. End summary.

Hard Times for Banana Growers and Pickers

2. (SBU) Although agriculture constitutes only 6% of Panama's GDP, 21% of the work force is employed in harvesting and processing crops. Bananas, along with sugar and coffee, are among Panama's most important agricultural products. However, the banana business has fallen on hard times. In January 2001, after 70 years of continuous operations, Chiquita Brands stopped doing business in Puerto Armuelles. Unions had refused Chiquita's request that workers boost product quality by reducing damage to bananas during harvesting and packaging. At the same time, a worldwide glut of bananas led to depressed prices. The resulting operating losses led Chiquita to close its plant in Puerto Armuelles. As the economy of the town suffered, the population fell from 46,000 in 1990 to less than 20,000 today.

2003: Cooperative Formed

3. (SBU) In 2003 local workers formed the cooperative

Coosemupar and purchased the Chiquita plantations with a \$20 million loan from Panama's publicly owned national bank. Chiquita retained the exclusive right to purchase the bananas grown on their former plantations. Although the cooperative is owned by its 2800 workers, the Chiriqui Land Company Workers Union (Sitrachilco) continues to operate and make demands against the cooperative and the GOP. (Comment: The workers are really striking against a business they own. In a further distortion of logic, Coosemupar looks to the GOP as the guarantor of the loans used to establish the cooperative.

End comment.) In recent years, Ecuador has emerged as a large producer of bananas, further contributing to low prices throughout the world. The European Union's tariff on Panamanian bananas further constricts sales. The banana business in Chiriqui loses money and probably will continue to do so in the future. Many Panamanians, uneasy about using public funds to support the banana workers, openly ask why they will not move to the provincial capital of David or other towns which offer more job opportunities and are experiencing a building boom fueled by retirees from America, Canada, and Europe.

Union Tactics Effective

¶4. (SBU) Sitrachilco's decision to close the Panama-Costa Rican border and impede traffic in Chiriqui was effective since many people throughout the region are traveling to David to attend an annual fair. Hundreds of trucks, some carrying live animals and fresh fruit, were backed up on both sides of the border. Bus passengers had to get off one bus, walk several hundred yards across the border, and then board another to continue their journeys. Sitrachilco has experience in causing disruptions. During the years when Chiquita operated the banana plantations in Chiriqui, the

union gained a reputation for striking at crucial moments of harvesting and processing bananas to drive home its demands. For many years the tactics worked and the workers received benefits that included company-built housing and schools. When the banana business became less profitable in 2000, Chiquita chose to end its operations in Puerto Armuelles.

Comment: Short Term Fix

¶5. (SBU) The GOP appears to be afraid of the union and has no plan for dealing with the long-term industry decline the banana workers face. DCM and ConOff visited the area during the strike and reported that police dressed in riot gear stood by and took no action against the strikers. The \$850,000 GOP grant may allow Coosemupar to pay its workers for a missed pay period but payments of this type by the GOP are not sustainable. Unfortunately, the GOP's willingness to reward the banana strikers with \$850,000 merely reinforces the perception that blockading highways is the way to get one's grievances addressed. And when Coosemupar burns through the \$850,000 "subsidy," which won't take long, it will be back asking the GOP for more. The cooperative still is unable to pay off the \$20 million loan from the Panamanian National Bank, a \$3 million loan due to Chiquita, and \$5 million owed to other businesses. Coosemupar also owes \$2.5 million in contributions to Panama's social security system. The banana industry in Panama is in a long term decline caused by stiffer competition from Ecuador and EU tariffs which favor producers from former European colonies in Africa and the Caribbean.

EATON